

Message Text

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PAGE 01 NEW DE 07003 01 OF 02 281452Z

47

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 COME-00 L-03 TRSE-00 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01

SP-03 OMB-01 CIEP-02 DRC-01 /067 W

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R 281310Z MAY 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1692

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY ISLAMABAD

LIMITED OFFICIAL USE SECTION 1 OF 2 NEW DELHI 7003

E. O. 11652: N/A

TAGS: BEXP, IN

SUBJ: FILM IMPORT NEGOTIATIONS

SUMMARY: THE MOTION PICTURE EXPORT ASSOCIATION (MPEAA) AND THE GOI HAVE NEGOTIATED A NEW FILM IMPORT AGREEMENT WHICH, HOWEVER, STILL REQUIRES CABINET APPROVAL. THE QUANTITY OF FILMS TO BE IMPORTED IS ONLY SLIGHTLY BELOW PREVIOUS LEVELS, THE AMOUNT OF REMITTANCES IS MORE THAN DOUBLED AND PERMISSIVE USES OF BLOCKED FUNDS HAVE BEEN EXPANDED. MPEAA ENCOUNTERED VERY LITTLE DIFFICULTY ON THE ISSUE OF MODALITIES OF DISTRIBUTION WHICH REMAIN BASICALLY UNCHANGED. END SUMMARY.

1. MPEAA VICE PRESIDENT GEORGE VIETHEER LEFT INDIA JUNE 26 AFTER FOUR WEEKS OF HARD BARGAINING WITH THE GOI OVER A NEW FILM IMPORT AGREEMENT. ALTHOUGH HE WAS NOT ABLE TO GET THE DRAFT AGREEMENT INITIALED BY FINANCE MINISTER CHAVAN AS HE HAD HOPED, VIETHEER HAS THE APPROVAL OF THE INFORMATION AND FINANCE MINISTRIES SECRETARIES.

2. THE DRAFT AGREEMENT CALLS FOR THE IMPORT OF 100 FILMS ANNUALLY

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PAGE 02 NEW DE 07003 01 OF 02 281452Z

OVER A FIVE YEAR PERIOD (THE PREVIOUS AGREEMENT COVERED IMPORT

OF APPROXIMATELY 120 FILMS OVER A 3 YEAR PERIOD). THERE IS NO FOOTAGE QUOTA, WHICH MEANS LOCAL DISTRIBUTORS WILL BE ABLE TO IMPORT AS MANY PRINTS OF EACH TITLE AS THEY WISH. THIS YEAR, FOR THE FIRST TIME, THE AGREEMENT EARMARKS GROSS FILM EARNINGS FOR SPECIFIC USES. 50 PERCENT OF EARNINGS (WHICH ARE ESTIMATED AT 200 MILLION RUPEES ANNUALLY) WOULD BE SET ASIDE TO PAY LOCAL OPERATING COSTS AND TAXES. 35 PERCENT OF THE EARNINGS ARE RESERVED FOR PERMISSIVE BLOCKED RUPEE USES (JOINT FILM PRODUCTIONS, TRAVEL ON AIR INDIA, ETC.). THE REMAIN 15 PERCENT (\$375,000 ANNUALLY) WILL BE REMITTABLE TO COVER COST OF PRINTS AND SHIPPING AND TO PROVIDE A SMALL ROYALTY TO THE US FILM COMPANIES.

3. IN ADDITION, MPEAA HAS DRAWN UP A SUPPLEMENT TO THE FORMAL FILM AGREEMENT WHICH PROVIDES THAT THE GOI WILL REMIT \$325,000 ANNUALLY FROM PREVIOUS BLOCKED RUPEE BALANCES UNTIL THESE FUNDS ARE FULLY LIQUIDATED. TOTAL ANNUAL REMITTANCES FROM GROSS FILM EARNINGS WOULD, THEREFORE, BE \$700,000 COMPARED TO APPROXIMATELY \$320,000 IN THE LAST AGREEMENT VIETHEER HAD INITIALLY ASKED FOR REMITTANCES OF \$1 MILLION. HE IS DELIGHTED WITH \$700,000 FIGURE. HE WOULD NOT BE AMENABLE, HOWEVER, TO ANY GOI ATTEMPTS TO LOWER REMITTANCES. HE SAID HE HAD BEEN CHARGED BY THE MEMBER COMPANIES WITH RESPONSIBILITY FOR BRINGING BACK AN AGREEMENT WHICH, A) DID MORE THAN MEET MINIMUM OPERATING EXPENSES AND B) TACKLED THE PROBLEM OF BLOCKED RUPEE BALANCES.

4. THE DRAFT AGREEMENT LISTS THE FOLLOWING NEW USES FOR BLOCKED RUPEE (35 PERCENT PORTION OF TOTAL EARNINGS):

1. INCREASED USE OF AIR INDIA FACILITIES INCLUDING PAYMENT IN RUPEES FOR AIR CARGO SHIPMENTS OF CORPORATE AFFILIATES OF THE COMPANIES (E.G. GULF & WESTERN IN THE CASE OF PARAMOUNT)
2. INTEREST FREE LOANS TO GOI AGENCIES ON THE MODEL OF THE PAKISTAN AGREEMENT;
3. OTHER USES PROPOSED BY EITHER THE GOI OR MPEAA WHICH WOULD SERVE TO ADVANCE THE ECONOMY, HEALTH OR WELFARE OF THE NATION.

THE GOI DID NOT AGREE TO USES OF RUPEES FOR LEASING OR RENOVATION OF LOCAL THEATRES OR TO THE VARIOUS PROPOSALS FOR BARTER OF INDIAN PRODUCTS ADVANCED BY MPEAA. LIMITED OFFICIAL USE

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PAGE 03 NEW DE 07003 01 OF 02 281452Z

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PAGE 01 NEW DE 07003 02 OF 02 281440Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 NEW DELHI 7003

5. BY SKILLFULLY WORDING THE AGREEMENT SO THAT IT APPEARED THAT THE GOI WAS TAKING OVER FAR MORE OF THE FILM IMPORT/ DISTRIBUTION RESPONSIBILITIES THAN IT ACTUALLY IS, VIETHEER GAVE THE GOI A CHANCE TO PRESENT A "VICTORY" TO PARLIAMENT. WITH THE EXCEPTION OF INITIAL "CANALIZATION" THROUGH THE NATIONAL FILM CORPORATION, ACTUAL MODALITIES OF IMPORT AND DISTRIBUTION WILL HARDLY CHANGE AT ALL.

6. ON THE ISSUE OF INDIANIZATION, WE SUCCESSFULLY CONVINCED VIETHEER THAT THERE WOULD BE NO EXEMPTION FROM THE PROVISIONS OF THE FOREIGN EXCHANGE REGULATIONS FOR THE FILM COMPANIES. THE DRAFT AGREEMENT CONTAINS THE FOLLOWING CLAUSE WHICH ACCORDING TO VIETHEER COULD BE THE VEHICLE FOR INDIANIZATION OF THE LOCAL BRANCHES TO THE FILM COMPANIES:

"ANY MPEAA COMPANY WHICH SO DESIRES MAY CONTRACT WITH NON-MEMBER INDIAN FIRMS FOR DISTRIBUTION OF ONE OR MORE OF ITS FILMS IN LIEU OF DISTRIBUTION THROUGH ITS ESTABLISHED FACILITIES..."

7. COMMENT: VIETHEER APPEARS TO HAVE DONE A SUPERB JOB OF NEGOTIATING A NEW AGREEMENT WHICH PROMISES TO RESTORE THE FLOW
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PAGE 02 NEW DE 07003 02 OF 02 281440Z

OF AMERICAN FILMS TO INDIA ON MORE FAVORABLE TERMS FOR THE MOTION

PICTURE COMPANIES. IN AGREEING TO THE SUPPLEMENTARY REMITTANCE OF BLOCKED RUPEES THE FT ACCEPTED FOR THE FIRST TIME THE PRINCIPLE THAT THESE BLOCKED RUPEES WERE ULTIMATELY REMITTABLE. ACTUAL TOTAL REMITTANCE COULD EXCEED THE \$700,000 FIGURE IF THE GOI GOES AHEAD WITH PLANS TO PURCHASE \$300,000 WORTH OF FILMS OUTSIDE THE AGREEMENT. VIETHEER ESTIMATES THAT MPEAA SUBSIDIARIES COULD EASILY SELL HALF OF THE 15 OR 20 FILMS WHICH WOULD BE IMPORTED UNDER THIS PROGRAM. THERE IS STILL A REMOTE CHANCE THAT ALL OF THE ARRANGEMENTS COULD COME APART AT THE CABINET LEVEL. WE AGREED TO ASSIST MPEAA IF ANY DIFFICULTIES ARISE. MOYNIHAN

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